

**PUBLIC DISCLOSURE**

**July 24, 2012**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**COUNTRY BANK FOR SAVINGS**

**CERT # 23992**

**75 MAIN STREET  
WARE, MA 01082**

**Division of Banks**

**1000 Washington Street, 10<sup>th</sup> Floor**

**Boston, MA 02118**

**Federal Deposit Insurance Corporation**

**350 Fifth Avenue, Suite 1200**

**New York, NY 10118**

<p><b>NOTE:</b> This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate- income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the credit needs of its community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Country Bank for Savings (“Country Bank” or the “Bank”)**, prepared by the Division and the FDIC, the institution's supervisory agencies, as of **July 24, 2012**. The agencies evaluate performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

### **INSTITUTION'S CRA RATING**

**This institution is rated “High Satisfactory” by the Division.**

**This institution is rated “Satisfactory” by the FDIC.**

An institution in this group has a reasonable record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Large Bank CRA procedures were utilized for this evaluation. The assigned rating is based on the Bank's performance under the Lending, Investment, and Service Tests. The Lending Test included a review of the Bank's lending activity, assessment area concentration, borrower characteristics (distribution of home mortgage loans by borrower income and of small business loans by gross annual revenues (GARs)), and geographic distribution, and response to consumer complaints. The following table indicates the performance level of the institution with respect to each test. The following table provides a summary of the Bank's performance under each test.

<b><u>Country Bank for Savings</u></b>			
<b>PERFORMANCE TESTS</b>			
<b>Performance Levels</b>	<b>Lending Test*</b>	<b>Investment Test</b>	<b>Service Test</b>
Outstanding			<b>X</b>
High Satisfactory	<b>X</b>		
Satisfactory**		<b>X</b>	
Needs to Improve			
Substantial Non-Compliance			

\*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

\*\*Note: FDIC rules and regulations stipulate use of a high satisfactory and low satisfactory rating for the three tests. For purposes of this jointly issued public evaluation, the term “satisfactory” will be used in lieu of the “low satisfactory” rating for the lending, investment, and service test ratings.

## **LENDING TEST**

- Country Bank's lending activity reflects excellent responsiveness to the credit needs in its assessment area.
- An adequate percentage of the Bank's residential loans and small business loans are inside the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, a good penetration of loans to individuals of different income levels (including low- and moderate-income), and businesses of different sizes.
- The geographic distribution of loans reflects good penetration throughout the assessment area.
- The Bank exhibits a good record of serving the credit needs of the most economically disadvantaged areas of the assessment area, low-income individuals, and very small businesses, consistent with safe and sound banking practices.
- The Bank made an adequate level of community development loans during the evaluation period.
- The Bank made extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs.

## **INVESTMENT TEST**

- The Bank made an adequate level of qualified community development investments, reflecting adequate responsiveness to community development needs of its assessment area. The Bank made four qualified equity investments totaling \$1.46 million since the prior evaluation.
- During the evaluation period, the Bank also made qualified donations totaling \$455,070.
- The Bank's qualified investments, including donations, are not considered innovative or complex.

## **SERVICE TEST**

- The Bank's retail delivery systems, including branches and Automated Teller Machines (ATMs) are accessible throughout the assessment area.
- The Bank's business hours and services do not vary in a way that inconveniences any portions of the assessment area.
- The Bank is a leader in providing community development services.

## **SCOPE OF EXAMINATION**

This evaluation was conducted jointly by the Division and FDIC using Large Bank evaluation procedures. Under these procedures, the evaluation considered the Bank's performance under the Lending, Investment, and Service Tests.

The Lending Test included an evaluation of the Bank's residential and small business lending activities in 2010 and 2011. As Country Bank is primarily a residential lender, greater emphasis was placed on the Bank's residential lending performance when arriving at conclusions under the Lending Test. The Bank did not make any small farm loans during the evaluation period. Consumer lending was excluded from the analysis since it accounts for a minor portion of the Bank's overall lending activity and the Bank does not collect information regarding such activity. This review was limited to originated loans, as the Bank did not purchase any loans during the review period.

Residential lending data was derived from the Loan Application Registers ("LARs") maintained by the Bank pursuant to the Home Mortgage Disclosure Act ("HMDA"). The LARs contain data about home purchase, home improvement, and refinance loans for one-to-four family and multi-family (five or more units) properties. Small business lending data was derived from the small business loan registers maintained by the Bank pursuant to CRA. While 2010 and 2011 lending data was analyzed, the data presented in this evaluation with respect to the *Geographic Distribution* and *Borrower Profile* criteria emphasizes the Bank's 2010 lending data, as this is the most recent year for which aggregate lending data is available. Aggregate lending data reflects the performance of all other financial institutions within the designated assessment area, and is used for comparison purposes.

The period used to evaluate community development loans, innovative and flexible lending practices, investments, and services was July 28, 2009 through July 24, 2012, unless otherwise noted.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Country Bank is a state-chartered mutual savings bank in Ware, Massachusetts. The institution was incorporated in 1850. The Bank's main office is located at 75 Main Street in Ware, which is a moderate-income census tract. Including the main office, the Bank operates 14 branch offices in the following municipalities: Belchertown, Brimfield, Charlton (2), Leicester (2), Ludlow, Palmer (2), Paxton, Ware (2), West Brookfield and Wilbraham. One of the Charlton offices is a limited-service branch at a senior citizens complex with limited hours and access. According to 2010 U.S. Census data, the Bank's offices are located in upper-income (6), middle-income (7) and moderate-income (1) census tracts. The Bank also maintains an administrative office in Ware, which is less than one-half mile from the main office, and located in a moderate-income census tract. Each full-service branch has 24-hour ATMs. The Bank maintains seven other ATMs throughout the assessment area including those in: UMass Memorial/Wing Hospital in Palmer; the Mary Lane Hospital in Ware; the Big Y in Ware; and throughout Brookfield, Cherry Valley, Hardwick, and Rochdale. Two of the ATMs are located in moderate-income census tracts and five are located in middle-income census tracts.

As of March 31, 2012, Country Bank had total assets of \$1,442,251,000, with total loans of \$849,480,000, or 58.9 percent of total assets. The current total asset level represents an increase of approximately 8.6 percent since March 31, 2009. Year-end pre-tax net operating income increased from \$10.365 million in 2009 to \$13.857 million in 2011, an increase of 33.7 percent.

The Bank is primarily a residential lender, with 61.5 percent of its loan portfolio secured by 1-4 family residential property. The second most significant portion of the loan portfolio is commercial real estate, at 30.0 percent. Table 1 illustrates the composition of the loan portfolio as of March 31, 2012.

<b>Table 1 – Loan Portfolio Distribution as of March 31, 2012</b>		
<b>Loan Type</b>	<b>\$(000s)</b>	<b>Percent of Total Loans</b>
Construction, Land Development, and Other Land Loans	48,886	5.7
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit	69,435	8.1
Closed-end Loans Secured by 1-4 Family Residential Properties: First Liens	442,178	51.5
Closed-end Loans Secured by 1-4 Family Residential Properties: Junior Liens	16,554	1.9
Secured by Multi-Family (5 or more) Residential Properties	3,185	0.4
<b>Total Residential Real Estate Loans</b>	<b>580,238</b>	<b>67.6</b>
Secured by Farmland (Including Farm Residential and Other Improvements)	0	0.0
Secured by Nonfarm Nonresidential Properties	257,162	30.0
<b>Total Real Estate Loans</b>	<b>837,400</b>	<b>97.6</b>
Loans to Finance Agricultural Production and Other Loans to Farmers	0	0.0
Commercial and Industrial	15,413	1.8
Loan to Individuals for Household, Family, or Other Personal Expenditures (Consumer Loans)	5,363	0.6
Other Loans	59	--
<b>Total Loans</b>	<b>858,235</b>	<b>100.0</b>

*Source: March 31, 2012 Call Report*

The FDIC and Division assigned a CRA rating of “Satisfactory” at the prior CRA evaluation of Country Bank, conducted as of July 27, 2009. There are no apparent financial or legal impediments that would limit the Bank’s ability to help meet assessment area credit needs. Based on asset size, product offerings, and branch network, the Bank’s ability to meet the community’s credit needs remains strong.

### Description of Assessment Area

The CRA requires each financial institution to define an assessment area within which its performance will be evaluated.

The Bank’s assessment area includes the following cities and towns in Hampden County: Brimfield, Holland, Ludlow, Monson, Palmer, Wales and Wilbraham. In addition, the assessment area includes Belchertown and Ware in Hampshire County; and Brookfield, Charlton, East Brookfield, Hardwick, Leicester, New Braintree, North Brookfield, Paxton, Spencer, Warren and West Brookfield in Worcester County. The Hampden and Hampshire County towns are located in the Springfield, Massachusetts Metropolitan Statistical Area (MSA). All of the Worcester County towns are located in the Worcester, Massachusetts MSA. The assessment area, as currently defined, meets the technical requirements of the regulation as it includes whole geographies and does not arbitrarily exclude low- or moderate-income areas or expand beyond state boundaries.

The assessment area contains 28 census tracts. Of those tracts, none are low-income; 4 are moderate-income; 18 are middle-income; and 6 are upper-income.

Based on 2000 U.S. Census data, the total population of the assessment area is 145,467, comprising 39,261 families. There are 57,648 housing units in the assessment area, of which 41,460, or 71.9 percent, are owner-occupied. Table 2 provides additional demographic and economic information pertaining to the Bank’s assessment area.

<b>Table 2 – Assessment Area Demographic Information</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	28		14.3	64.3	21.4
Population by Geography	145,467		12.8	61.1	26.1
Owner-Occupied Housing by Geography	41,460		9.6	63.2	27.2
Businesses by Geography	8,946		10.0	63.0	27.0
Distribution of Families by Income Level	39,261	15.1	17.5	24.6	42.8
<b>Assessment Area Median Family Income (MFI)</b>		\$59,067	<b>Median Housing Value</b>		\$136,999
<b>Springfield, MA MSA MFI, 2010</b>		\$67,400			
<b>Springfield, MA MSA MFI, 2011</b>		\$69,300			
<b>Worcester, MA MSA MFI, 2010</b>		\$79,900			
<b>Worcester, MA MSA MFI, 2011</b>		\$82,500			
<b>Families Below Poverty Level</b>		4.8%			

Source: 2000 U.S. Census, 2010 and 2011 D&B data, 2010 and 2011 HUD Estimated Median Family Incomes

While 2000 U.S. Census data show the median housing value in the assessment area is \$136,999, more recent data obtained from *The Warren Group* shows that median prices for all single-family homes sold in the assessment area in 2010 ranged from \$133,000 in Warren to \$250,000

in Charlton. In 2011, price changes were not consistent throughout all communities, with prices declining in most towns within the assessment area with the exception of Brookfield, Hardwick, Ludlow, and West Brookfield. The range of home prices in 2011 was from \$105,500 in Warren to \$245,000 in Charlton.

Unemployment data for the assessment area was obtained from the Bureau of Labor Statistics. The unemployment rate for the Springfield, MA MSA was 9.3 percent in 2010, and decreased to 8.5 percent in 2011. The unemployment rate for the Worcester, MA MSA was 8.9 percent in 2010, and decreased to 7.9 percent in 2011. In comparison, the statewide Massachusetts unemployment rate was at 8.3 percent in 2010 and at 7.4 percent in 2011. The nationwide unemployment rates were higher at 9.6 percent and 9.0 percent in 2010 and 2011, respectively, than both the Springfield and Worcester, MA MSAs.

The Bank operates in a competitive market area in terms of consumer financial services. The Bank competes for loans with many commercial banks, national banks, credit unions, and mortgage brokers. Among the mortgage lenders active in home mortgage lending in the Bank's assessment area are the following: Bank of America, N.A.; Monson Savings Bank; Wells Fargo Bank, NA; and Spencer Savings Bank. According to market share reports for 2010, the Bank ranks first out of 244 lenders that originated at least one home mortgage in the assessment area.

### **Community Contacts**

Two community contacts were conducted as part of the evaluation process to assist in determining the credit and community development needs of the assessment area. Both of these contacts are non-profit organizations. One of the organizations collaborates with other community-based organizations to create affordable housing and to revitalize urban neighborhoods. The other organization utilizes a variety of sources to obtain funding for economic development programs and services. Both contacts were generally complimentary of the support received by financial institutions in the area. However, the contacts stated that there are current and planned projects in place that require funding from area financial institutions. The funding could be through donations or loan programs. The various projects focus primarily on affordable housing. One of the contacts further stated that with the downturn in the economy, financial institutions are focusing more on preventing residential foreclosures, and it has become increasingly difficult to identify qualified small businesses for the available loan programs.



## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LENDING TEST**

The institution's lending efforts are rated under the following performance criteria: Lending Activity, Assessment Area Concentration, Geographic Distribution, Borrower Characteristics, Community Development Lending, and Innovative or Flexible Lending Practices. The following information details the data compiled and reviewed, as well as conclusions on the Bank's performance.

The Lending Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: (1) the volume of lending activity; (2) the proportion of lending within the assessment area(s); (3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle-, and upper-income geographies in the assessment area(s); (4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels, and to businesses of different sizes; (5) the volume of community development lending; and (6) the use of innovative or flexible lending practices.

The Bank's Lending Test is rated "High Satisfactory". The following sections discuss the Bank's performance by each Lending Test factor.

#### **1. Lending Activity**

Country Bank's lending activity reflects excellent responsiveness to the assessment area's credit needs.

During the two full years of the evaluation period, 2010 and 2011, the Bank originated a total of 912 home mortgage loans totaling approximately \$139.0 million and 179 small business loans totaling approximately \$21.7 million within the assessment area. This volume of home mortgage lending is in line with the two full years from the previous evaluation, 2007 and 2008. At that evaluation, the volume of home mortgage lending was at 917 home mortgage originations totaling approximately \$134.9 million. The volume of small business lending of the two full years reviewed at the previous evaluation dropped significantly by number from 247 loans, but increased slightly by dollar volume from \$20.9 million. The decrease in small business lending by number is attributed to increasing economic challenges facing small businesses.

Country Bank originates residential mortgages sold on the secondary market. Since the July 27, 2009, examination, the Bank sold 519 residential mortgages totaling approximately \$88.1 million. Except for one loan, all of the loans were sold to the Federal Home Loan Mortgage Corporation (Freddie Mac). The one other loan was sold to the Federal National Mortgage Association (Fannie Mae). Such residential lending further demonstrates the Bank's willingness to reinvest in the community through its lending services.

The Bank operates in a competitive home mortgage lending market. As previously mentioned, 244 lenders originated at least one home mortgage in the assessment area. According to aggregate data, in 2010 the Bank ranked first in home purchase, home improvement, and refinance loans. Country Bank captured a market share of 10.2 percent of home purchase loans

(139 lenders), 18.2 percent of home improvement loans (65 lenders), and 8.0 percent of refinance loans (216 lenders). The types of financial institutions competing for home mortgage loans include other local banks, mortgage companies, credit unions, and large regional and national banks with a presence within the assessment area.

The Bank also operates in a competitive small business lending environment. In 2010, Country Bank ranked 15<sup>th</sup> with a 0.88 percent market share out of 85 lenders reporting small business loan originations in Hampshire, Hampden, and Worcester Counties.

## 2. Assessment Area Concentration

This performance criterion measures the percentage of the Bank's lending that benefits assessment area residents and businesses. Review of the Bank's home mortgage and small business loans from 2010 and 2011 revealed an adequate percentage of loans, at 66.8 percent, were made inside the assessment area. Table 3 summarizes the Bank's home mortgage and small business lending by number and dollar volume.

Table 3 – Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number of Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
<b>2010 Home Loans</b>										
Home Purchase	126	52.7	113	47.3	239	19,290	36.7	33,209	63.3	52,499
Refinance	254	72.2	98	27.8	352	43,130	60.0	28,754	40.0	71,884
Home Improvement	80	80.0	20	20.0	100	8,703	79.9	2,184	20.1	10,887
<b>Total</b>	<b>460</b>	<b>66.6</b>	<b>231</b>	<b>33.4</b>	<b>691</b>	<b>71,123</b>	<b>52.6</b>	<b>64,147</b>	<b>47.4</b>	<b>135,270</b>
<b>2011 Home Loans</b>										
Home Purchase	109	61.2	69	38.8	178	22,005	49.1	22,854	50.9	44,859
Refinance	244	70.5	102	29.5	346	37,705	63.4	21,763	36.6	59,468
Home Improvement	99	66.9	49	33.1	148	8,143	68.5	3,746	31.5	11,889
<b>Total</b>	<b>452</b>	<b>67.3</b>	<b>220</b>	<b>32.7</b>	<b>672</b>	<b>67,853</b>	<b>58.4</b>	<b>48,363</b>	<b>41.6</b>	<b>116,216</b>
<b>Total Home Loan</b>	<b>912</b>	<b>66.9</b>	<b>451</b>	<b>33.1</b>	<b>1,363</b>	<b>138,976</b>	<b>55.3</b>	<b>112,510</b>	<b>44.7</b>	<b>251,486</b>
<b>Small Business Loans</b>										
2010	94	60.3	62	39.7	156	12,653	50.0	12,670	50.0	25,323
2011	85	73.9	30	26.1	115	9,018	71.8	3,549	28.2	12,567
<b>Total Small Business</b>	<b>179</b>	<b>66.1</b>	<b>92</b>	<b>33.9</b>	<b>271</b>	<b>21,671</b>	<b>57.2</b>	<b>16,219</b>	<b>42.8</b>	<b>37,890</b>
<b>Grand Total</b>	<b>1,091</b>	<b>66.8</b>	<b>543</b>	<b>33.2</b>	<b>1,634</b>	<b>160,647</b>	<b>55.5</b>	<b>128,729</b>	<b>44.5</b>	<b>289,376</b>

Source: 2010 and 2011 HMDA LARs; 2010 and 2011 Bank Small Business Loan Registers

### Home Loans

As shown in Table 3, Country Bank originated a majority by number of home purchase, refinance, and home improvement mortgage loans inside its assessment area in 2010 and 2011. The Bank originated a majority by dollar volume of refinance and home improvement mortgage loans inside its assessment area over the same two years; however, a majority of home purchase loans by dollar volume was originated outside of the assessment area. Management attributed the increased lending by dollar volume to higher property values in lending areas outside of the assessment area, thus requiring larger loan amounts.

Overall, the volume of home mortgage lending increased slightly from 66.6 percent by number and 52.6 percent by dollar volume in 2010 to 67.3 percent by number and 58.4 percent by dollar

volume in 2011. The distribution of loans by number carries more weight than the distribution by dollar volume because the number of loans correlates more closely with the number of individuals and families that were able to obtain home mortgage loans.

### Small Business Loans

Table 3 reflects that the Bank also originated a majority by number of small business loans inside its assessment area in 2010 and 2011. The Bank originated nearly the same amount of small business loans by dollar volume inside and outside of the assessment area in 2010, while a majority of such loans were originated inside of the assessment area in 2011. Overall, the Bank made 179 small business loans inside its assessment area totaling \$21.7 million, accounting for 66.1 percent by number and 57.2 percent by dollar volume of loans during this timeframe.

Overall, the Bank originated an adequate percentage of its home mortgage and small business loans within the assessment area.

## **3. Borrower Characteristics**

This performance criterion evaluates the distribution of the Bank's home mortgages by borrower income level, and small business loans by GARs. For residential lending, emphasis is placed on loans to low- and moderate-income borrowers, and for small business lending, emphasis is placed on loans to businesses with GARs of \$1 million or less. Overall, the distribution of borrowers reflects, given the product lines by the institution, good penetration among retail customers of different income levels and businesses of different sizes.

### Home Loans

Residential lending data was reviewed to assess how well the Bank is meeting the housing credit needs of the area's residents at all income levels. Table 4 reflects the distribution of residential loans, by borrower income level, in comparison to aggregate performance and demographic indicators. The table does not include loans where the income is unknown. The Bank had 16 such loans totaling \$2.4 million in 2010 and 15 such loans totaling \$4.6 million in 2011. For the aggregate lending data, there were 170 loans totaling \$37.2 million where the income was unknown.

<b>Table 4 – Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Income Level</b>	<b>% of Total Families</b>	<b>2010 Aggregate Lending Data (% of #)</b>	<b>Bank 2010</b>		<b>Bank 2011</b>	
			<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	15.1	5.4	42	9.4	49	11.2
<b>Moderate</b>	17.5	20.4	98	22.1	90	20.6
<b>Middle</b>	24.6	27.8	130	29.3	137	31.4
<b>Upper</b>	42.8	46.4	174	39.2	161	36.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>444</b>	<b>100.0</b>	<b>437</b>	<b>100.0</b>

*Source: 2010 and 2011 HMDA Data, 2000 U.S. Census Data.*

As reflected in Table 4, the Bank significantly exceeded aggregate performance of lending to low-income borrowers. Country Bank also exceeded aggregate data in lending to moderate-income borrowers in 2010. Country Bank's good performance under this criterion is further

highlighted by its market share of lending to low- and moderate-income borrowers. The Bank ranked first in home mortgage lending to low-income borrowers within its assessment area in 2010, out of 84 total institutions that originated at least one such mortgage in the assessment area that year. The review of home loans by purpose revealed the Bank also ranked first in the categories of home purchase, home improvement, and refinance loans. In addition, the Bank ranked first out of 141 lenders in home mortgage lending to moderate-income borrowers, including first in the categories of home purchase and home improvement lending. The Bank ranked second in refinance lending, with only Bank of America, N.A. ranking higher in this category.

For 2010 and for 2011, the Bank's performance of lending to low-income borrowers was somewhat less than the percentage of families of this income level. It is notable that 4.8 percent of the assessment area families have incomes below the poverty threshold (a sub-set of low-income). The Bank's performance of lending to moderate-income borrowers exceeded the percentage of moderate-income families for both years. Furthermore, for both years, the Bank's level of lending to moderate-income families also exceeded the demographic data.

#### Small Business Loans

Table 5 reflects the distribution of small business loans by GAR level for 2010 and for 2011. This data is compared with aggregate lending data and business demographic data.

<b>Table 5 – Distribution of Small Business Loans by Revenues</b>						
<b>GAR \$(000s)</b>	<b>% of Total Businesses</b>	<b>2010 Aggregate Lending Data (% of #)</b>	<b>Bank 2010</b>		<b>Bank 2011</b>	
			<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1,000	80.8	29.1	72	76.6	65	76.5
> \$1,000 or Not Reported	19.2	70.9	22	23.4	20	23.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>94</b>	<b>100.0</b>	<b>85</b>	<b>100.0</b>

*Source: 2010 and 2011 Bank Small Business Loan Registers, 2010 Aggregate CRA Data; and D&B 2010 Business Data.*

As shown in Table 5, the Bank originated 76.6 percent of its small business loans to businesses with GARs of \$1 million or less in 2010, which was slightly less than the percentage of businesses of this GAR level but materially exceeded aggregate data. In 2011, the Bank originated 76.5 percent of its small business loans to businesses with GARs of \$1 million or less, which was slightly less than the percentage of businesses of this GAR level. The Bank's performance significantly exceeded the aggregate market performance of 29.1 percent for 2010. This performance is excellent, and reflects the Bank's willingness to meet the credit needs of small businesses within its assessment area.

#### **4. Geographic Distribution**

This criterion evaluates the distribution of the Bank's loans within the assessment area by census tract income level, with an emphasis on lending in low- and moderate-income census tracts. Overall, the geographic distribution of home mortgage and small business loans reflects good distribution throughout the assessment area. As previously noted, the assessment area does not include any low-income census tracts.

### Home Loans

Table 6 reflects the percentage of the Bank's home mortgage loans by census tract income level in 2010 and 2011. The Bank's performance is compared to the percentage of owner-occupied housing units and to aggregate performance by census tract income level.

Table 6 – Distribution of Home Mortgage Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Owner-Occupied Housing Units	2010 Aggregate Lending Data (% of #)	Bank 2010		Bank 2011	
			#	%	#	%
Moderate	9.6	6.6	35	7.6	39	8.6
Middle	63.2	59.1	320	69.6	314	69.5
Upper	27.2	34.3	105	22.8	99	21.9
Total	100.0	100.0	460	100.0	452	100.0

Source: 2010 and 2011 HMDA Data, 2000 U.S. Census Data

As shown in Table 6, the Bank exceeded aggregate lending performance in moderate-income census tracts in 2010. The Bank's performance was slightly less than the percentage of owner-occupied housing units in moderate-income census tracts. Further highlighting the Bank's good penetration of loans in moderate-income geographies is its market rank of second in 2010, with only Spencer Savings Bank ranking higher. Out of 89 lenders that originated at least one loan within the assessment areas' moderate-income tracts, Country Bank had an 11.0 percent market share. A review by loan purpose revealed the Bank ranked first in home purchase and home improvement lending, and ranked second in refinance loans.

Despite a slight decrease in home loan volume from 2010 to 2011, the Bank's level of lending, both by number and percentage, increased in moderate-income census tracts. The percentage of loans in moderate-income census tracts increased from 7.6 percent in 2010 to 8.6 percent in 2011. It is noted that aggregate data for 2011 was not available as of the date of this evaluation.

### Small Business Loans

The distribution of small business loans reflects adequate penetration in the assessment area's moderate-income census tracts. Table 7 illustrates the Bank's small business loans, aggregate data, and the percentage of businesses by census tract income level.

Table 7 – Distribution of Small Business Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Businesses	2010 Aggregate Lending Data (% of #)	Bank 2010		Bank 2011	
			#	%	#	%
Moderate	9.4	8.0	3	3.2	6	7.1
Middle	62.2	57.3	67	71.3	63	74.1
Upper	28.4	34.7	24	25.5	16	18.8
Total	100.0	100.0	94	100.0	85	100.0

Source: 2010 and 2011 Bank Small Business Loan Registers, 2010 Aggregate CRA Data, and D&B 2010 Business Data.

In 2010, the Bank originated 3.2 percent of its small business loans in moderate-income census tracts, which is significantly less than the aggregate lending data at 8.0 percent and the 9.4 percent of businesses located in this income level of census tract. The Bank's level of lending in moderate-income census tracts doubled from three loans in 2010 to six in 2011. The overall percentage also increased to 7.1 percent; however, this performance was less than the business demographic data.

## **5. Community Development Lending**

As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low- and moderate-income individuals; community services targeted to low- and moderate-income individuals; activities that promote economic development by financing small businesses or small farms; or activities that revitalize or stabilize low- and moderate-income geographies. On January 19, 2011, the definition of community development was expanded to include activities in support of the Department of Housing and Urban Development-administered Neighborhood Stabilization Plan (NSP). Furthermore, the loan must benefit the Bank's assessment area or a broader statewide area that also includes the assessment area. Loans required to be reported as home mortgage loans or small business loans cannot also be reported as community development loans unless the loan is for a multi-family dwelling (five or more units), meets a community development definition, and benefits the Bank's assessment area or a broader statewide area that includes the assessment area.

The institution's community development lending activities are evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available to the institution; (2) the responsiveness of the institution's community development lending; and (3) the extent of leadership the institution has demonstrated in community development lending.

Country Bank made an adequate level of community development loans. The Bank originated three qualified community development loans totaling \$5.54 million. In 2010, the Bank originated a loan for \$1.9 million to a Community Development Corporation (CDC) for the purchase of land to be developed into an industrial park in a state-designated Economic Target Area (ETA). Although outside the assessment area, the CDC services all of Worcester County, including the Bank's assessment area.

In addition, the bank made a loan of \$3.39 million to the entity responsible for developing the aforementioned industrial park in January 2011. The purpose of developing this industrial park is to create long-term employment throughout the region. The local CDC projected the creation of approximately 600 as a result of this development. Infrastructure related to this development has also received funding, in part, through grants received from the U.S. Department of Commerce - Economic Development Administration and the Commonwealth of Massachusetts.

Furthermore, in November 2009, the bank made a refinance loan of \$250,000 secured by a multi-family property that provided six units of affordable rental housing to low- or moderate-income individuals or families.

## **6. Innovative or Flexible Lending Practices**

The Bank's innovative and flexible lending practices are evaluated pursuant to the following criteria: (1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and (2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the evaluation period.

Country Bank made extensive use of innovative and/or flexible lending practices to serve the assessment area's credit needs. The Bank offered such programs that increase the availability of credit to borrowers of various income levels, including low- and moderate-income borrowers, as well as small businesses in the assessment area. Detailed below are some of the Bank's qualifying lending activities during the evaluation period.

### *USDA Rural Housing – 30-Year Fixed*

This program is targeted toward homebuyers who live in rural areas and have limited or no funds for a down payment. The program offers flexible underwriting guidelines, relaxed credit requirements, options that do not require private mortgage insurance, the ability to finance closing costs from the loan amount, lenient seller concessions, and rates comparable to, or better than, conventional fixed rate mortgage programs. From January 1, 2010, to July 24, 2012, the Bank made 55 loans totaling approximately \$9.5 million under this program. Information prior to 2010 was unavailable for this program.

### *Soft Second Loan Program*

The Soft Second Loan Program is a joint initiative of the public and private sectors to increase affordable housing opportunities for low- and moderate-income homebuyers. This program combines a conventional first mortgage with a subsidized second mortgage to help borrowers qualify for a mortgage and purchase a home for the first time. For 2010, 2011, and through July 24, 2012, the Bank originated 33 joint first and second mortgages under this program totaling approximately \$4.6 million. Information prior to 2010 was unavailable for this program.

### *MassHousing*

MassHousing works to increase affordable housing by offering special mortgage loan programs for low- and moderate-income individuals and families. During the evaluation period, the Bank offered the MassHousing Mortgage Program, as well as the MassHousing Septic Repair Program, with 0 percent and 3 percent loans for low- and moderate-income families. Finally, the Bank offered the RightRate Program, which primarily benefits low- and moderate-income families, with income requirements slightly over the HUD-estimated moderate-income levels. Throughout the evaluation review period, the Bank originated 27 MassHousing loans totaling approximately \$4.1 million.

### *Rebuild Western Massachusetts*

This program is used to provide affordable financing to consumers affected by the June 2011 Western Massachusetts tornadoes. Funding through this program could be used by borrowers for home energy efficiency upgrade while rebuilding. The program was sponsored by the Massachusetts Department of Energy Resources and the Massachusetts Clean Energy Center. Loans originated through this program were interest-free, with limited closing costs. During the evaluation period, the Bank originated 2 loans totaling \$80,000 under this program.

### First-Time Homebuyer Program

The Bank offered a first-time homebuyer (FTHB) program from April to September 2011. This program was for borrowers who did not own a home in the prior three years. The program offered a 7/1 Adjustable Rate Mortgage with a lower interest rate and a \$1,500 credit toward closing costs. In 2011, the Bank originated 3 loans totaling \$486,470. Country Bank began offering a nearly identical program as of March 12, 2012, which has not yet had any activity.

### Home Options for Massachusetts Elders (HOME)

The Bank offers a term reverse mortgage through the non-profit organization, HOME. Loan products are designed by HOME to serve the needs of low- and moderate-income elderly homeowners. Before any loan is made, the applicant is referred to HOME for credit and financial counseling. HOME reviews the borrower's complete financial situation and provides assistance regardless of whether a loan is granted. During the evaluation period, the Bank made one reverse mortgage loan for \$70,500.

### Small Business Administration Loans

The Bank offers SBA loans under the SBA 504 Loan Program. This loan program offers loans with longer terms, lower interest rates, and lower down payments for small businesses. During the evaluation period, Country Bank originated one SBA 504 loan for approximately \$4.9 million.

## **INVESTMENT TEST**

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the Lending or Service Tests may not be considered under the Investment Test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

The Bank is rated "Satisfactory" under the Investment Test.

Considering the size of the institution, as well as its ability and capacity, the Bank made an adequate level of community development investments during the evaluation period, which demonstrated adequate responsiveness to the community development needs of its assessment area. However, the Bank's qualified investments are not considered innovative or complex.

During the evaluation period, the Bank's community development investments totaled approximately \$1.92 million, consisting of \$1.46 million in qualified equity investments and \$455,070 in qualified donations. The following sections detail the Bank's qualified investments by type.



## **Qualified Equity Investments**

The Bank made five qualified equity investments totaling \$1.46 million between July 27, 2009 and July 24, 2012. While a majority of these investments were not inside the assessment area, the investments provided benefit to a larger statewide or regional area which includes the Bank's designated assessment area or were to an organization serving the entire Commonwealth of Massachusetts. Additional detail regarding each investment is provided below.

In May 2010, the Bank purchased two Recovery Zone Economic Development bonds totaling \$260,000. The bonds were to finance qualified economic development activities in a federally-designated Empowerment Zone in Boston, as authorized under the American Recovery and Reinvestment Act of 2009. The economic development benefits of the activities financed by this bond issue are realized throughout the Commonwealth of Massachusetts.

In February 2011, the Bank purchased two municipal bonds totaling \$200,000 to finance revitalization and stabilization activities in the Town of Warren, which is a state-designated Economically Distressed Area and a moderate-income geography.

The Bank made two investments totaling \$1 million in the Massachusetts Development Finance Agency (MDFA) in 2011. In May 2011, the Bank purchased a bond for \$750,000, and purchased another bond for \$250,000 in December 2011. The bonds were offered through the MDFA, which supports a statewide area larger than, but including, the Bank's assessment area. The bonds were issued to support revitalization and stabilization efforts within low- and moderate-income geographies in Cambridge.

## **Qualified Donations**

Qualified donations totaled \$72,200 for the period from August 1, 2009 to December 31, 2009; \$125,779 in 2010; \$222,202 in 2011; and \$34,889 for the period from January 1, 2012 through July 24, 2012. The donations for calendar years 2010 and 2011 represent 1.1 percent and 1.6 percent of pre-tax net operating income, respectively. Total qualified donations for the evaluation period were \$455,070.

The Bank made donations in support of numerous organizations throughout the assessment area, including organizations that provide services for at-risk youths, senior citizens, mentally and physically challenged individuals, and homeless individuals. The Bank also supports organizations that work to provide adult financial literacy programs, heating assistance, and other types of services to low- and moderate-income individuals and families. While these investments are not particularly innovative or complex, they do provide much needed services and support to groups that do not have access to private investments. Examples of organizations receiving donations include tornado relief (Brimfield, Wilbraham, Monson) the Quaboag Valley Community Development Corporation, Goodwill Industries, Tri Valley Inc. Money Management Program, Consumer Credit Counseling of Southern New England, The Western Massachusetts Economic Development Council, Pioneer Valley Habitat for Humanity, Top Floor Learning (adult literacy programs), and the Tri-Community Survival Center.

Table 8 details the donations for the period August 1, 2009 through July 24, 2012.

<b>Table 8 – Community Development Donations by Category</b>			
<b>Category</b>	<b>Year</b>	<b>Number of Donations</b>	<b>Dollar Amount</b>
Affordable Housing	08/01/2009-12/31/2009	1	\$250
	2010	0	\$0
	2011	1	\$2,000
	01/01/2012 – 07/23/2012	0	\$0
<b>Total Affordable Housing</b>		<b>2</b>	<b>\$2,250</b>
Community Services to Low- and Moderate-income (LMI) Residents	08/01/2009-12/31/2009	27	\$71,950
	2010	33	\$82,413
	2011	58	\$178,019
	01/01/2012 – 07/23/2012	16	\$27,491
<b>Total LMI Services</b>		<b>134</b>	<b>\$359,873</b>
Economic Development	08/01/2009-12/31/2009	0	\$0
	2010	3	\$43,366
	2011	2	\$42,183
	01/01/2012 – 07/23/2012	1	\$7,398
<b>Total Economic Development</b>		<b>6</b>	<b>\$92,947</b>
<b>TOTALS</b>	08/01/2009-12/31/2009	28	\$72,200
	2010	35	\$125,779
	2011	66	\$222,202
	01/01/2012 – 07/23/2012	17	\$34,889
<b>GRAND TOTAL</b>		<b>146</b>	<b>\$455,070</b>

Source: Internal Bank Records.

Several larger contributions benefited organizations that provide services throughout a large portion of the assessment area. In addition, smaller donations benefited similar groups at the town level by providing services such as food pantries and emergency shelters.

## SERVICE TEST

The Service Test evaluates the institution's record of helping to meet the credit needs of its assessment areas by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services were evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services were evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3)

the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

The Bank is rated “Outstanding” under the Service Test.

### **Distribution of Branches**

Country Bank’s delivery systems, including branches and ATMs, are accessible to all portions of the assessment area. Table 9 compares the distribution of branches to the distribution of assessment area census tracts and population by census tract income level. The table does not include the limited-service office in Charlton at a senior citizen complex. While that office has an ATM and offers most products and services, it has limited hours and is only open to residents of the complex. The table shows the branch distribution is below the percentage of the population residing in moderate-income tracts. However, the Bank maintains two off-site ATMs in these tracts, which provide customers with access to their accounts.

<b>Table 9 – Distribution of Branches and ATMs</b>						
<b>Census Tract Income</b>	<b>% of Tracts</b>	<b>% of Population</b>	<b>Branches</b>		<b>ATMs</b>	
			<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Moderate</b>	14.3	12.8	1	7.1	3	14.3
<b>Middle</b>	64.3	61.1	11	78.6	16	76.2
<b>Upper</b>	21.4	26.1	2	14.3	2	9.5
<b>Total</b>	100.0	100.0	14	100.0	21	100.0

*Source: Internal Bank records, 2000 U.S. Census Data*

As previously mentioned, each branch office includes an ATM. In addition, the Bank operates ATMs at the following seven off-site locations: University of Massachusetts/Wing Memorial Hospital in Palmer; Mary Lane Hospital in Ware; and, Big Y Supermarkets in Ware, Brookfield, Cherry Valley (Leicester), Hardwick, and Rochdale (Leicester). Eight of the branch ATMs and four of the off-site ATMs are included in the SUM network.

### **Record of Opening and Closing Branches**

The Bank has not closed or opened any branches since the prior examination, dated July 27, 2009.

### **Retail Banking Services**

Country Bank’s business hours and services do not vary in a way that inconveniences any portions of the assessment area. Business hours vary slightly between office locations, but are convenient and comparable to other local institutions. All branches, except for the Wal-Mart, Big Y, and Brimfield branch locations, offer drive-up service. Each office, except for the main office, offers Saturday hours and extended banking hours at least one day weekly. The Wal-Mart and Big Y offices are also open on Sunday. The Bank offers a variety of deposit, loan, and investment products tailored to meet the needs of both retail and business customers. All products and services are available consistently throughout the assessment area.

Alternative delivery systems, such as ATMs, online banking with bill pay, “bank at work,” and telephone banking are available to enhance access to banking products and services. Most offices feature drive-up windows for added convenience, and the Bank operates ATMs at each branch location. As stated above, the Bank also operates seven off-site ATMs throughout the assessment area. Two of these ATMs are located in moderate-income tracts. In addition, twelve

of the Bank's ATMs are part of the SUM network, which is designed to help consumers minimize ATM fees.

The Bank's website, [www.countrybank.com](http://www.countrybank.com), allows customers to access loan and deposit account interest rates, and loan and savings account calculators. In addition, the Bank offers customers 24-hour telephone banking and Internet banking. Through these services, individual and business customers are able to review up-to-date account information, check account balances, transfer funds, pay bills, and view and download account statements electronically.

### **Community Development Services**

An institution's community development services are evaluated pursuant to the following criteria: (1) the extent of community development services offered and used; (2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; (3) the degree to which they serve low- and moderate-income areas or individuals; and (4) their responsiveness to available opportunities for community development services.

Country Bank is a leader in providing community development services. These services have resulted in a better financially-educated community, increased awareness of community needs, and contributed to improving the communities served. The Bank offered services to low- and moderate-income residents within the assessment area and provided technical assistance to organizations with a community development purpose.

### **Educational Services and Seminars**

The Bank has sponsored and/or participated in many seminars that provide financial education to the public. These include seminars for first-time homebuyers and presentations on basic banking services; loan alternatives for small businesses; and the loan application process. For the period under review, the Bank participated in seven homebuyer seminars, including four targeted toward first-time homebuyers. In addition, the Bank participated in four business-oriented seminars or presentations. The Bank also held 15 financial education seminars within its assessment area at various elderly housing centers. These seminars focused on identity theft and check scams. Finally, the Bank offered a seminar to help individuals trying to rebuild after the 2011 tornadoes. Collectively, these seminars had attendance of approximately 1,300.

Country Bank offers a variety of financial education programs, including the "Savings Makes Cents" school savings program to area elementary schools. The Bank serves 24 schools within the assessment area with this program, which teaches students to save money. The Bank's Financial Education Officer continues to administer the program as well as conduct educational programs in budgeting, credit, and savings at local schools. In 2011, the Bank took the lead with the Credit for Life program to educate high school seniors on banking, budgeting, insurance, and credit that will enable the students to better handle the financial challenges they will experience after high school. This program is conducted at four local high schools annually and has reached approximately 1,200 students to date.

In addition, the Bank's website includes a section that provides financial education for children. This section of the website includes contests, a newsletter, and questions and answers about money and finance.

## **Loan Modifications**

In 2008, the Bank started offering residential loan modifications to help their customers avoid foreclosure and retain their homes. For the period under review, the Bank made 109 hardship loan modifications for residential loans. Of these 109 modifications, 31 or 28.4 percent were in the Bank's assessment area and were to low- or moderate-income individuals. This program is considered under the Service Test, as additional expertise and resources were provided in credit counseling to low- and moderate-income homeowners to avoid foreclosure.

## **Other Community Services**

The Bank administers an Interest on Lawyers' Trust Accounts (IOLTA) program. Interest earned on these accounts goes to the Massachusetts IOLTA Program, and the funds are used to provide low-income individuals with a variety of legal services. As of July 23, 2012, the Bank had approximately 50 accounts under the program, and paid approximately \$10,762 in interest during the evaluation period.

## **Officer and Trustee Involvement**

Officers and employees of the Bank are involved in many local community development and nonprofit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, officers, committee members, and volunteers. The following sections illustrate examples of the organizations in which Bank personnel and Trustees are involved.

### Economic Development Organizations:

***Quaboag Valley Business Assistance Corporation*** - A Bank officer is a Board Member and President of the Executive Committee and is a member of the Loan Committee; a Bank Trustee is President of the Board and Clerk of the Executive Committee; a Bank Trustee is a Board Member and Clerk and serves as Vice President of the Executive Committee; and a Bank Trustee is the Executive Director of this organization.

***Quaboag Hill Chamber of Commerce*** - A Bank Officer serves on the Board of Directors.

***Town of Hardwick Master Plan Committee*** - A Bank Trustee serves as a committee member.

***Ware Business Association*** - A Bank Trustee is a member of this association.

### Organizations Providing Community Services to Low- and Moderate-Income Residents:

***Carson Center for Human Services and Valley Human Services*** - Two Bank officers and a Trustee serve on the Advisory Board.

***Goodwill Industries of the Springfield/Hartford Area, Inc.*** - A Bank Officer serves as Chairman of the Executive, Finance, and Compensation committees of this organization.

***Northeast Center for Youth and Families, Inc.*** - A Bank Officer is a Board Member and Chairman of the Finance Committee.

***Salvation Army*** - A Bank Officer is a Board Member and on the Finance Committee, and a Bank Officer serves as a Board Member and Treasurer.

***Credit For Life Program*** - Two Bank Officers serve as committee members for this program that offers financial education for high school students.

***Residential Energy Assistance for Seniors*** - A Bank Officer serves on the Board of Directors of this Foundation.

Response to the June 1, 2011 Tornadoes

In addition to monetary support the Bank has provided to victims of the 2011 tornadoes, the Bank relaxed its hold policy on tornado insurance claim checks deposited to customers' accounts. This was done to give depositors expedited access to their funds. In addition, the Bank granted two extensions for loan payments due from a business in Monson which was destroyed by the tornadoes and had to close. Furthermore, prior to a construction business receiving payment from an insurance claim, the Bank granted a \$10,000 new term note to the local business to enable it to immediately start construction on homes destroyed by the tornado. Finally, the Bank granted a \$50,000 line of credit to a business owner whose business was inaccessible due to tornado destruction. Each of these actions provided services targeted to meeting community needs in this declared disaster area.

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The Bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. No evidence of discriminatory or other illegal credit practices was identified inconsistent with helping to meet community credit needs.

## DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN THE SPRINGFIELD, MA MSA

The Springfield MSA portion of the assessment area includes the Towns of Belchertown, Brimfield, Holland, Ludlow, Monson, Palmer, Wales, Ware, and Wilbraham. In addition to the main office, Country Bank currently operates eight full-service branches in the Springfield MSA. ATMs are located at each branch office and the Bank operates three stand-alone ATMs.

The area includes two moderate-income tracts, nine middle-income tracts, and four upper-income tracts. Population for this portion of the assessment area is 85,696, or approximately 58.9 percent of the population of the total assessment area. The area contains 23,296 families, of which 14.1 percent are low-income; 17.2 percent are moderate-income; 23.4 percent are middle-income; and, 45.4 percent are upper-income. Approximately 5.2 percent of families are below the poverty level, which is a sub-set of the low-income category. There are 34,400 housing units in the area, 73.1 percent of which are owner-occupied and 21.2 percent of which are rental units; the remaining 5.7 percent is vacant. Multi-family (5 or more units) homes comprise approximately 6.9 percent of the housing stock, with mobile homes accounting for an additional 4.5 percent.

Of the businesses in the area, approximately 8.2 percent are located in moderate-income tracts, 59.8 percent are located in middle-income tracts, and 32.0 are located in upper-income tracts. Approximately 95.8 percent reported GARs of \$1 million or less.

### LENDING TEST

The Bank originated approximately 48.8 percent of all residential loans and 42.3 percent of small business loans within this portion of the assessment area in 2010. This remained relatively consistent for residential loans in 2011, with 45.8 percent within the Springfield MSA portion of the assessment area. The percentage of small business loans within the Springfield MSA portion increased to 60.0 percent in 2011, which is represented by an increase of three loans. Overall, performance in the Springfield, MA MSA portion of the assessment area is consistent with overall performance as previously described. The following tables detail the borrower profile and geographic distribution by loan type.

#### Home Loans

**Table S-1**

<b>Distribution of Home Loans by Borrower Income Level: Springfield, MA MSA</b>						
<b>Borrower Income Level</b>	<b>% of Total Families*</b>	<b>2010 Aggregate Data</b>	<b>2010 Bank Data</b>		<b>2011 Bank Data</b>	
		<b>% of #</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	14.1	4.5	30	9.2	31	10.4
<b>Moderate</b>	17.1	18.0	71	21.8	57	19.1
<b>Middle</b>	23.4	26.4	93	28.5	91	30.4
<b>Upper</b>	45.4	51.1	132	40.5	120	40.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>326</b>	<b>100.0</b>	<b>299</b>	<b>100.0</b>

*Source: 2000 U.S. Census Data, 2010 and 2011 HMDA LAR Data, and 2010 Aggregate HMDA Data*

Similar to previous home loan borrower profile table, Table S-1 excludes loans for which income is unknown. The Bank had 11 such loans totaling \$1.8 million in 2010 and 9 such loans totaling \$1.5 million in 2011 within the Springfield, MA MSA portion of the assessment area. For the aggregate lending data, there were 88 loans totaling \$20.2 million where the income was unknown.

As shown in table S-1, the distribution of loans to low-income borrowers exceeds aggregate data in 2010, but is below the percentage of low-income families. The Bank's performance of lending to moderate-income borrowers exceeds both aggregate and demographic data. In 2011, the Bank increased its level of lending to low-income borrowers, and lending to moderate-income borrowers decreased to 57 loans representing 19.1 percent of total loans. It should be noted that 5.2 percent of families in the assessment area are below the poverty level, and would likely not qualify for a mortgage. The Bank's performance in this MSA portion of the assessment area is consistent with overall performance.

**Table S-2**

<b>Distribution of Home Loans by Census Tract Income Level: Springfield, MA MSA</b>						
<b>Census Tract Income Level</b>	<b>% Total Owner-Occupied Housing Units</b>	<b>2010 Aggregate Data</b>	<b>2010 Bank Data</b>		<b>2011 Bank Data</b>	
		<b>% of #</b>	<b>#</b>	<b>% of #</b>	<b>#</b>	<b>% of #</b>
<b>Moderate</b>	6.4	3.7	19	5.7	18	5.8
<b>Middle</b>	62.9	59.0	235	69.7	209	67.9
<b>Upper</b>	30.7	37.3	83	24.6	81	26.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>337</b>	<b>100.0</b>	<b>308</b>	<b>100.0</b>

*Source: 2000 U.S. Census Data, 2010 and 2011 HMDA LAR Data, and 2010 Aggregate HMDA Data*

Table S-2 shows the distribution of residential loans by income level of census tract. Country Bank's distribution exceeds aggregate data in moderate-income tracts in 2010 and is somewhat less than demographic data. The Bank's performance in this MSA portion of the assessment area in 2011 was consistent with 2010 levels, and consistent with overall performance as previously discussed.

### Small Business Loans

**Table S-3**

<b>Distribution of Small Business Loans by Revenues: Springfield, MA MSA</b>						
<b>GAR \$(000s)</b>	<b>% of Total Businesses</b>	<b>2010 Aggregate Lending Data (% of #)</b>	<b>2010 Bank Data</b>		<b>2011 Bank Data</b>	
			<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1,000	95.8	30.2	50	75.8	51	73.9
> \$1,000 or Not Reported	4.2	69.8	16	24.2	18	26.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>66</b>	<b>100.0</b>	<b>69</b>	<b>100.0</b>

*Source: 2010 and 2011 Bank Small Business Loan Registers, 2010 Aggregate CRA Data; and D&B 2010 Business Data.*



Table S-3 shows the distribution of Country Bank's small business loan originations by GARs. Country Bank's performance in the Springfield, MA MSA significantly exceeded aggregate data, and was below the demographic data in 2010. The Bank's performance in 2011 was also below the demographic data. Overall, the Bank's performance in the Springfield, MA MSA is consistent with its overall performance.

**Table S-4**

<b>Distribution of Small Business Loans by Census Tract Income Level: Springfield, MA MSA</b>						
<b>Census Tract Income Level</b>	<b>% Total Businesses</b>	<b>2010 Aggregate Data*</b>	<b>2010 Bank Data</b>		<b>2011 Bank Data</b>	
		<b>% of #</b>	<b>#</b>	<b>% of #</b>	<b>#</b>	<b>% of #</b>
<b>Moderate</b>	8.2	6.3	2	3.0	5	7.3
<b>Middle</b>	59.8	53.6	49	74.3	49	71.0
<b>Upper</b>	32.0	40.1	15	22.7	15	21.7
<b>N/A</b>	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>66</b>	<b>100.0</b>	<b>69</b>	<b>100.0</b>

*Source: 2000 U.S. Census Data, 2010 Small Business Data Aggregate, Small Business Data 2010 and 2011*

Table S-4 illustrates the distribution of small business loans in 2010 and 2011 as compared to business demographic and aggregate data (2010 only). While below aggregate and demographic data in 2010, the Bank increased the level of small business lending in moderate-income census tracts in 2011 to five loans or 7.3 percent. The geographic distribution of small business loans in this MSA is consistent with overall performance under this factor.

### **Innovative and Flexible Loan Programs**

Innovative and flexible loan programs are consistently available throughout all portions of the assessment area.

### **Community Development Lending**

The Bank's community development loans during the evaluation period were made outside of the Springfield, MA MSA portion of the assessment area.

### **INVESTMENT TEST**

The Bank's performance under this test in the Springfield, MA MSA is consistent with overall performance. Country Bank's community development donations assisted several organizations throughout the assessment area. Overall, qualified investments reflected adequate responsiveness to community development needs, but were not innovative or complex. Many of the larger donations, such as that made to a local CDC, assisted organizations that cover all or most of the Bank's assessment area. Other donations were made to organizations such as food pantries, shelters, and human services providers that serve smaller geographic areas, and were consistently made throughout all portions of the assessment area. Refer to the overall Investment Test section for further details.

## **SERVICE TEST**

Country Bank operates nine full-service branches and three stand-alone ATMs in the Springfield, MA MSA portion of the assessment area. One of the offices is located in a moderate-income tract and one in an upper-income tract. All other offices are in middle-income tracts. Of the stand-alone ATMs, two are located in moderate-income tracts and one is in a middle-income tract. The Bank's products and services are consistently accessible throughout the entire assessment area. Furthermore, the Bank consistently demonstrated leadership in providing community development services throughout all portions of the assessment area. For further details, refer to the overall Service Test section.

## DESCRIPTION OF THE BANK'S OPERATIONS IN THE WORCESTER, MA MSA

The Worcester, MA MSA portion of the assessment area includes the Towns of Brookfield, Charlton, East Brookfield, Hardwick, Leicester, New Braintree, North Brookfield, Paxton, Spencer, Warren, and West Brookfield. Country Bank currently operates five full service branches and one limited-service branch in the Worcester MSA. ATMs are located at each branch office and the Bank operates five stand-alone ATMs.

The area includes two moderate-income tracts, nine middle-income tracts, and two upper-income tracts. Population for this portion of the assessment area is 59,771, or approximately 41.1 percent of the population of the total assessment area. The area contains 15,965 families, of which 16.7 percent are low-income; 18.0 percent are moderate-income; 26.3 percent are middle-income; and, 39.0 percent are upper-income. Approximately 4.2 percent of families are below the poverty level, which is a sub-set of the low-income category. There are 23,248 housing units in the area, 70.2 percent of which are owner-occupied, and 23.8 percent of which are rental units; the remaining 6.0 percent is vacant. Multi-family (5 or more units) homes comprise approximately 7.3 percent of the housing stock, with mobile homes accounting for another 2.4 percent.

Of the businesses in the area, approximately 12.7 percent are located in moderate-income tracts, 67.6 percent are located in middle-income tracts and 19.7 percent are located in upper-income tracts. Approximately 95.8 percent reported GARs of \$1 million or less.

## LENDING TEST

The Bank originated approximately 17.8 percent of all residential loans and 18.0 percent of small business loans within this portion of the assessment area in 2010. The residential loan percentage increased in 2011 to 21.4 percent, but decreased to 13.9 percent for small business loans. Performance in the Worcester, MA MSA portion of the assessment area is consistent with performance overall. The following tables illustrate the borrower profile and geographic distribution by loan type within this portion of the assessment area

### Home Loans

**Table W-1**

Distribution of Home Loans by Borrower Income Level: Worcester, MA MSA						
Borrower Income Level	% of Total Families*	2010 Aggregate Data	2010 Bank Data		2011 Bank Data	
		% of #	#	%	#	%
<b>Low</b>	16.7	6.7	12	10.2	18	13.1
<b>Moderate</b>	18.0	23.9	27	22.9	33	23.9
<b>Middle</b>	26.3	29.8	37	31.3	46	33.3
<b>Upper</b>	39.0	39.6	42	35.6	41	29.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>118</b>	<b>100.0</b>	<b>138</b>	<b>100.0</b>

*Source: 2000 U.S. Census Data, 2010 and 2011 HMDA LAR Data, and 2010 Aggregate HMDA Data*

Table W-1 does not include loans where the income is unknown. The Bank had 5 such loans totaling \$554,000 in 2010 and 6 such loans totaling \$3.1 million in 2011. For the aggregate lending data, there were 82 loans totaling \$17.0 million where the income was unknown.

Table W-1 shows the distribution of residential loans in the Worcester MSA by income level of the borrower. The Bank's lending to low-income borrowers exceeded aggregate data in 2010, but was below the percentage of families. With respect to lending to moderate-income borrowers, the Bank was relatively consistent with aggregate performance and exceeded demographic data. In 2011, the distribution of loans to low- and moderate-income borrowers increased. The Bank's performance in the Worcester, MA MSA portion of the assessment area is consistent with overall performance.

**Table W-2**

<b>Distribution of Home Loans by Census Tract Income Level: Worcester, MA MSA</b>						
<b>Census Tract Income Level</b>	<b>% Total Owner-Occupied Housing Units</b>	<b>2010 Aggregate Data</b>	<b>2010 Bank Data</b>		<b>2011 Bank Data</b>	
		<b>% of #</b>	<b>#</b>	<b>% of #</b>	<b>#</b>	<b>% of #</b>
<b>Moderate</b>	37.1	10.7	16	13.0	21	14.6
<b>Middle</b>	56.3	58.7	85	69.1	105	72.9
<b>Upper</b>	6.6	30.6	22	17.9	18	12.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>123</b>	<b>100.0</b>	<b>144</b>	<b>100.0</b>

*Source: 2000 U.S. Census Data, 2010 and 2011 HMDA LAR Data, and 2010 Aggregate HMDA Data*

Table W-2 shows that the Bank exceeded aggregate performance of lending in moderate-income census tracts in 2010, and increased lending in these tracts in 2011. While 37.1 percent of owner-occupied housing units are located in the moderate-income geographies, the Bank's performance in this portion of the assessment area is consistent with performance overall.

### Small Business Loans

**Table W-3**

<b>Distribution of Small Business Loans by Revenues: Worcester, MA MSA</b>						
<b>GAR \$(000s)</b>	<b>% of Total Businesses</b>	<b>2010 Aggregate Lending Data (% of #)</b>	<b>2010 Bank Data</b>		<b>2011 Bank Data</b>	
			<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1,000	96.0	27.8	22	78.6	14	87.5
> \$1,000 or Not Reported	4.0	72.2	6	21.4	2	12.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>

*Source: 2010 and 2011 Bank Small Business Loan Registers, 2010 Aggregate CRA Data; and D&B 2010 Business Data.*

A significant majority of the Bank's loans were originated to businesses with GARs of \$1 million or less in both 2010 and 2011. This is significantly higher than aggregate data and is consistent with the Bank's overall performance; however, it is lower than the percentage of businesses in that revenue category.

**Table W-4**

<b>Distribution of Small Business Loans by Census Tract Income Level: Worcester, MA MSA</b>						
<b>Census Tract Income Level</b>	<b>% Total Businesses</b>	<b>2010 Aggregate Data*</b>	<b>2010 Bank Data</b>		<b>2011 Bank Data</b>	
		<b>% of #</b>	<b>#</b>	<b>% of #</b>	<b>#</b>	<b>% of #</b>
<b>Moderate</b>	12.7	3.6	1	3.6	1	6.3
<b>Middle</b>	67.6	64.3	18	64.3	14	87.4
<b>Upper</b>	19.7	32.1	9	32.1	1	6.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>

*Source: 2000 U.S. Census Data, 2010 Small Business Data Aggregate, Small Business Data 2010 and 2011*

Table W-4 shows the single loan originated by the Bank in 2010, representing 3.6 percent, is consistent with aggregate performance. Demonstrating a consistent level of lending, the Bank also originated a single small business loan in a moderate-income geography in 2011. Performance in the moderate-income census tracts is below business demographic data each year. It should be noted the Worcester, MA MSA accounts for a relatively small percentage of the Bank's total small business lending activity, and performance in this area is consistent with overall performance.

### **Innovative and Flexible Loan Programs**

All innovative and flexible loan programs are consistently available throughout the assessment area.

### **Community Development Lending**

The Bank originated each of its three community development loans in the Worcester, MA MSA; one of which was within the assessment area. The other two loans were made in support of revitalization and stabilization activities, that while outside the Bank's assessment area, benefited a larger regional area that includes the assessment area.

### **INVESTMENT TEST**

The Bank's performance under this test in the Worcester, MA MSA is consistent with overall performance. Country Bank's community development investments in this MSA included the two municipal bonds totaling \$200,000 in support of revitalization and stabilization of the Town of Warren, which is a moderate-income geography and state-designated Economically Distressed Area. In addition, community development donations assisted several organizations throughout the assessment area. Overall, qualified investments reflected adequate responsiveness to community development needs, but were not innovative or complex. Many of the larger donations, such as that made to a local CDC, assisted organizations that cover all or most of the Bank's assessment area. Other donations were made to organizations such as food pantries, shelters, and human services providers that serve smaller geographic areas, and were consistently made throughout all portions of the assessment area. Refer to the overall Investment Test section for further details.

## **SERVICE TEST**

Country Bank has five full-service branches and four stand-alone ATMs in the Worcester, MA MSA portion of the assessment area. There are no branches located in moderate-income tracts, although one of the stand-alone ATMs is located in a moderate-income tract. In addition, the Bank operates a limited-service branch at a senior citizen's complex in Charlton. Furthermore, the Bank consistently demonstrated leadership in providing community development services throughout all portions of the assessment area. For further details, refer to the overall Service Test section.

## **APPENDIX A**

### **FAIR LENDING POLICIES AND PRACTICES**

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

The Bank has a Loan Review Committee comprised of the President and Chief Executive Officer, First Senior Vice President and Chief Financial Officer, and the Vice President of Regulatory Policy. Loans are reviewed by at least two committee members.

The Bank has a second review process used to determine whether lending decisions are made in a fair and consistent manner and also to identify underwriting trends which may be inconsistent with policies and procedures of the Bank. All loans are reviewed by the Loan Review Committee.

The Loan Review Committee consists of four Senior Bank Officers including the President and a quorum consists of two members. The Loan Review Committee is also responsible for reviewing and approving all residential mortgage loans which may be a substantial exception to the Loan Policy and do not meet secondary market standards. Loan policy exceptions are tracked and reported to the Board of Investment quarterly.

All employees are provided with training appropriate to their job description and their responsibilities in fair lending issues.

The Bank has 13 bilingual employees. Languages spoken are: Chinese, Filipino, French, Polish, Portuguese and Spanish.

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

### **MINORITY APPLICATION FLOW**

The Bank's LARs for 2010 and 2011 were reviewed to determine if the application flow from the different racial groups within the Bank's Massachusetts assessment area was reflective of the assessment area's demographics.

According to the 2000 U.S. Census Data, the Bank's assessment area contained a total population of 145,467 individuals of which 4.6 percent are minorities. The assessment areas minority and ethnic population is 0.8 percent Black/African American, 0.6 percent Asian, 0.2 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 2.1 percent Hispanic or Latino and 0.9 percent other.

For 2010 and 2011, the Bank received 1,246 HMDA reportable loan applications from within its assessment area. Of these applications, 10 or .8 percent were received from minority applicants, of which 6 or 60.0 percent resulted in originations. The Bank also received 11 or .9 percent of its applications from ethnic groups of Hispanic origin within its assessment area of which 6 or 54.5 percent were originated.

The Bank's application level was compared with that of the aggregate's lending performance levels for the most recent year that data was available, the year 2010. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority applicants. Refer to the table below for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

<b>MINORITY APPLICATION FLOW</b>								
<b>RACE</b>	<b>Bank 2010</b>		<b>2010 Aggregate Data</b>		<b>Bank 2011</b>		<b>Bank TOTAL</b>	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	13	0.2	1	0.2	1	0.1
<i>Asian</i>	1	0.2	59	0.7	0	0.0	1	0.1
<i>Black/ African American</i>	1	0.2	53	0.6	0	0.0	1	0.1
<i>Hawaiian/Pac Isl.</i>	0	0.0	5	0.1	0	0.0	0	0.0
<i>2 or more Minority</i>	0	0.0	0	0.0	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	3	0.5	67	0.8	4	0.7	7	.60
<b>Total Minority</b>	<b>5</b>	<b>0.9</b>	<b>197</b>	<b>2.4</b>	<b>5</b>	<b>0.9</b>	<b>10</b>	<b>.8</b>
<i>White</i>	610	91.6	6,685	80.9	523	90.0	1,133	91.0
<i>Race Not Available</i>	50	7.5	1,383	16.7	53	9.1	103	8.0
<b>Total</b>	<b>665</b>	<b>100.0</b>	<b>8,265</b>	<b>100.0</b>	<b>581</b>	<b>100.0</b>	<b>1,246</b>	<b>100.0</b>
<b>ETHNICITY</b>								
<i>Hispanic or Latino</i>	0	0.0	88	1.0	4	0.7	4	0.3
<i>Not Hispanic or Latino</i>	598	89.9	6,662	80.6	519	89.3	1,117	89.6
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	4	0.6	73	0.9	3	0.5	7	0.6
<i>Ethnicity Not Available</i>	63	9.5	1,442	17.5	55	9.5	118	9.5
<b>Total</b>	<b>665</b>	<b>100.0</b>	<b>8,265</b>	<b>100.0</b>	<b>581</b>	<b>100.0</b>	<b>1,246</b>	<b>100.0</b>

Source: U.S. Census, 2010 and 2011 HMDA LAR, 2007 HMDA Aggregate Data

The Bank's performance was below the 2010 aggregate's performance level for both minority and ethnicity. The Bank's performance for receipt of applications from racial minorities was consistent over both years reviewed; applications from Hispanic borrowers did show a positive trend.

The Bank's minority application flow, when compared to the aggregate's performance levels and the assessment area demographics, is deemed less than adequate.



**APPENDIX B**  
**LOSS OF AFFORDABLE HOUSING – MASSACHUSETTS DIVISION OF BANKS**

The Division's regulation 209 CMR 46.22(2)(g) requires the evaluation of the lending performance of a large institution to include a review of its efforts to forestall the loss of affordable housing. The Division reviews the institution's loans to ensure there is no undue concentration or systematic pattern of lending resulting in the loss of affordable housing units.

Country Bank's development of credit products with flexible lending criteria, participation in flexible lending programs, community development lending, lending to low- and moderate-income borrowers and loan modification efforts have assisted low- and moderate-income individuals to remain in their neighborhoods.

## **APPENDIX C**

### **General Definitions**

#### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

#### **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family

or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## **APPENDIX D**

### **Investment Definitions**

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the Bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Low Income Housing Tax Credits:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

**Qualified Investments:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

## **APPENDIX E**

### **Standard Public Evaluation Language**

#### **LENDING TEST**

##### **Scope of Test**

The Lending Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the volume of community development lending; and 6) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

##### **Community Development Lending:**

##### **Performance Criteria**

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

##### **Innovative and Flexible Lending Practices:**

##### **Performance Criteria**

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

## **INVESTMENT TEST**

### **Scope of Test**

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

## **SERVICE TEST**

### **Scope of Test**

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.



## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:  
  
"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 75 Main Street, Ware, MA 01082".
- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.